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MONARCH/BEST VALUE

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1997 Operating Plan

September 17, 1996



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MONARCH/BEST VALUE

1996 Performance Update

□ MONARCH

- On target to meet volume objective 3.2 billion
- On target to meet SOSV objective 2.76
- SOSV decline rate reduced over 40% -vs- 2nd half '95 (assisting in meeting Total SOSV objective)
- EDLP approach appears to be working, where employed

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- 20% of volume covered under EDLP contracts. . . and growing
- Total PV at 52% @ \$2.16
- Spending at less than 1996 Plan rates
- Will deliver higher \$MAM/M

□ <u>BEST VALUE</u>

- On target to meet volume objective 1.5 billion
- On target to meet SOSV objective 1.0
- SOSV decline rate reduced over 55% -vs- 2nd half '95 (assisting in meeting Total SOSV objective)
- EDLP approach appears to be working, where employed
- 25% of volume covered under EDLP contracts. . . and growing
- Total PV at 37% @ \$2.04
- Spending at less than 1996 Plan rates
- Will deliver higher \$MAM/M

MONARCH/BEST VALUE 1997 Operating Plan

porate Role
nary
Manage both brands for optimum volume and profit contribution (balance).
ondary
Assist in meeting Total RJR Share of Savings objective (decreased decline rate).

Source: https://www.industrydocuments.ucsf.edu/docs/nshn0000

MONARCH 1997 OPERATING PLAN

OBJECTIVES

	1997	Diffvs- 96 LE	
	Totals	Amt.	%
Volume	2.7	(0.5)	(15.6)%
Spending	\$ 22.9	\$ (0.9)	(3.8)%
sos	2.42	(0.34)	(12.3)%
MAM - TOTAL \$MM's	\$ 48.6	\$ (3.3)	(6.4)%
- PER \$/M	\$ 18.00	\$ 1.78	11.0 %

BEST VALUE 1997 OPERATING PLAN

OBJECTIVES

	1997	Diffvs- 96 LE	
	Totals	Amt.	%
Volume	1.2	(0.3)	(20.0)%
Spending	\$ 8.0	\$ (0.5)	(5.9)%
sos	0.79	(0.20)	(20.2)%
MAM - TOTAL \$MM's	\$ 23.8	\$ (4.1)	(14.7)%
- PER \$/M	\$ 19.83	\$ 1.23	6.6 %

MONARCH/BEST VALUE

1997 Discounting Assumptions

□ MONARCH

TOTAL	(70% PV)	@	(\$2.30 ctn.)
Ceiling Strategy	30% PV	@	\$2.10 ctn.
EDLP	40% PV	@	\$2.50 ctn.

□ BEST VALUE

EDLP	35% PV	@	\$2.50 ctn.
Ceiling Strategy	20% PV	@	\$2.10 ctn.
TOTAL	(55% PV)	@	(\$2.35 ctn.)

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Find optimum balance between volume/profit while providing maintenance for Total Share of Savings

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1997 Strategic Thrust

	Defend volume where volume is concentrated
	Avoid marketplace disruption
	No investment spending (all regions)
	Minimize additional Private Label SKU's via EDLP contracts
a	Identify key accounts and focus attention on EDLP contracts where: - A Forsyth Private Label does not make sense - And/or - A distributor's RJR Private Label will not work
	Monitor/evaluate impact of EDLP contracts on: - Total Spending - Forsyth PL Volume
	Utilize consumer pricing dollars ("Ceiling Strategy") in accounts where the EDLP approach is not optimal

Note: EDLP contracts and Ceiling Strategy dollars should not be used together in an account.

MONARCH/BEST VALUE 1997 Operating Plan

Plan Approach

EDLP Contracts

☐ Continue to focus on EDLP contracts as the #1 priority to deliver brand volume and facilitate Total RJR portfolio process

When:

- Full Level of RJR Private Label requirements are obtained
 - Strategic philosophy is in line with Total RJR (e.g., "not driving the low end")
 - Does not disrupt market place
 - EDLP accounts dedicate a separate free standing display for MONARCH or BEST
 VALUE and that it does not count as RJR rows or is substituted for our Savings footprint.
- ☐ Contract amounts can range from \$1.50 \$2.60 per carton, as appropriate (Exceptions above the \$2.60 carton maximum, "meeting competition", to be handled individually with Sales/Savings BU approval.)

MONARCH/BEST VALUE 1997 Operating Plan

Consumer Pricing/Ceiling Strategy

- ☐ Ensure sufficient consumer pricing dollars in order to maintain price competitive in non-EDLP accounts
 - Continue to implement Ceiling Strategy guidelines; same as DORAL.
 - MONARCH/BEST VALUE should not be lower in price than DORAL in accounts where the Ceiling Strategy approach is being implemented.
 - Consumer pricing allocation ("Ceiling Strategy") based on regional consumption
 - Note: Allocated dollars may need adjusting throughout the year based on large/National chain(s) signing EDLP agreements.